Ch. 10 Sections 1, 2, 3

1) Mortgage Loan

Loan for house/property

* usually large $
* 30 years, 20, 15

Formula:

Selling price − down payment

* 5-20%

Examples:

2) Jessica wants to purchase a new home for $134,000. She will put 15% down, and wants to take out a mortgage loan for the rest.

a) How much is her down payment?

$134,000 \times 0.15 = \$20,100$

b) How much is the mortgage loan amount?

$134,000 - 20,100 = \$113,900$

3) David and Peggy want to buy a house for $345,000. They have 20% to put down, and will take out a mortgage for the rest.

a) How much is the down payment?

$345,000 \times 0.20 = \$69,000$

b) How much is the mortgage loan amount?

$345,000 - 69,000 = \$276,000$

4) (define) Interest =

amt paid to borrow/use a lender's $

5) (formula) Monthly Payment =

$$\frac{\text{amt. mortgage}}{\$1{,}000} \times (\text{monthly payment for } \$1{,}000)$$

↑ from chart

6) (formula) Amount Paid =

(monthly payment) × (# payments)

↑ # years × 12

7) (formula) Total Interest Charged =

Amt. Paid − Amt. mortgage

8) Where do we find the "Monthly Payment for a $1,000 Loan?"

in chart

Complete the following:

9) Carol and Adam have applied for an $80,000 mortgage loan at an annual interest rate of 8%. The loan is for a period of 30 years and will be paid in equal monthly payments that include interest. What is the total amount of interest charged?

STEP 1: Find the monthly payment

$\frac{80,000}{1,000} \times 7.34 = \$587.20$

STEP 2: Find the amount paid

$587.20 \times 30 \times 12 = \$211,392$

STEP 3: Find the total interest charged

$211,392 - 80,000 = \$131,392$

10) Find the total interest charged on a mortgage of $90,000 at an annual interest rate of 10% for 20 years.

① $\frac{90,000}{1,000} \times 9.65 = \$868.50$

② $868.50 \times 20 \times 12 = \$208,440$

③ $208,440 - 90,000 = \$118,440$

Complete p.345 #3, 9, 10 and p. 347 #2 3, 7, 10

11) Closing costs =

fees for lawyers, title fee, credit check, realtors, etc.

3 – 5% of house cost
3% – selling realtor
3% – buying realtor

Formula =

sum of fees

12. Tracy has been granted a mortgage loan at an annual interest rate of 8% for 25 years. The home has a selling price of $95,500. They need a 15% down payment. The bank will allow Tracy to finance the closing costs as part of the mortgage.

a. What is the down payment?

$95,500 \times 0.15 = \$14,325$

b. What is the amount of the mortgage?

$95,500 - 14,325 = \$81,175$

c. What are the total closing costs (refer to the Closing Costs table)

Closing Costs	
Credit Report	$65.00
Loan Origination	2% of mortgage
Abstract of title	120
Attorney Fee	250
Documentation stamp	0.3% of mortgage
Processing fee	1.10% of mortgage

$\$65$

$0.02 \times 81,175 = 1623.50$

120

250

$0.003 \times 81,175 = 243.53$

$0.011 \times 81,175 = 892.93$

d. What is the actual amount financed (the mortgage + the closing costs)?

$3194.96 + 81,175 = \$84,369.96$

Closing Costs	
Credit Report	$65.00
Loan Origination	2% of mortgage
Abstract of title	120
Attorney Fee	250
Documentation stamp	0.3% of mortgage
Processing fee	1.10% of mortgage

13) Using the same table as #12, find the closing costs on a mortgage loan of $50,000.

Complete p. 350 #3, 4, 6, 7